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**BEFORE THE CONGRESSIONAL HUMAN RIGHTS CAUCUS
“HUMAN RIGHTS AND BRAND ACCOUNTABILITY:
HOW MULTINATIONALS CAN PROMOTE LABOR RIGHTS”**

**Wednesday, February 8, 2006
2200 Rayburn House Office Building**

First, I offer thanks to the Congressional Human Rights Caucus and Senator Lantos for bringing this panel together today and for allowing us to engage in a discussion before the Caucus about the role of multinational companies in promoting labor rights.

Building on Armand Pereira’s testimony about changes in the global economy throughout the 1980s and ‘90s, I want to talk about how the rapid growth in global supply chains quickly outpaced the ability of national governments to protect the rights of workers employed in those chains, and what multinational enterprises can do to improve labor conditions in the unregulated environment they encounter around the world.

Global supply chains are composed of a series of contractors, managed by brands, who supply most of the consumer goods we buy—everything from cell phones to apparel to home appliances. Each contractor in the chain manufactures individual pieces of the final product in a network of manufacturing that takes place in many different countries. This global system of production is an efficient one, and it has provided millions of jobs in developing countries over the last 25 years, but the rapid increase in size and complexity of the supply chain has quickly outstripped the capacity of national laws and law enforcement agencies to regulate the production of goods.

Allow me to give three examples that illustrate the breakdown of domestic mechanisms to protect workers’ rights.

First, while on an ILO mission in Haiti in the 1990s, I met with the national head of labor inspection. When I asked him to describe the key elements of the factory inspection

process, he said simply that they were no longer conducting factory inspections. I asked him, “what does a labor inspector do, then, if he does not inspect factories?” and he explained that the department did not have transport, typewriters or the necessary forms and that the electricity did not work for most of the day.

In the absence of basic supplies, the political will to support the enforcement of labor standards had broken down. The U.S. still imports large quantities of children’s wear, baby wear, and intimate wear from Haiti, but we know that the Haitian government is ill-equipped to ensure that those goods are produced in an environment in which labor laws are enforced.

Secondly, in the late ‘80s, I went to Bangladesh on another ILO mission to train labor inspectors and ILO monitors in the capital city of Dhaka. The garment industry in Bangladesh boomed phenomenally in the late 1980s, moving from zero to a situation where 3,000 factories employed two million young women in downtown Dhaka. This extremely rapid growth in the size of the ready-made garment sector far outpaced the physical infrastructure needed to accommodate so many workers and most of the factories were nothing more than tenements whose interiors had been gutted to make room for a factory floor.

These tenements were never designed for use as industrial facilities—they did not have proper fire escapes, lighting or ventilation. Whenever I did an inspection, I always asked to see the emergency exit. On one particular visit (focused on occupational health and safety) I asked the factory manager to show me the exit and he explained that he did not have his own fire escape but had to use that of another company on the same floor. We then walked across the adjoining factory and down a flight of stairs to a fire exit door that was locked. I demanded that the door be unlocked but the key nowhere to be found. We waited there until a guard was tracked down and the lock opened. Unfortunately, locked fire exits remain an enormous safety hazard in Bangladesh. Even today you can read about false alarms in Bangladeshi factories where dozens of people are killed just in the panic to get to the door, and of real fires that kill more people than they would if means of egress were available.

Finally, I give you an example from Andhra Pradesh province in India, where there are historical and culturally-entrenched systems of child labor. Several years ago, a well-intentioned chief minister of the province decided to eradicate child labor on family farms in response to international and ILO pressure. You may ask “where did all the children go?” It turns out that the children who were working with their families on farms had to keep on working because of the abject poverty of the area so they moved into the construction, match- and cigarette-making sectors, where they were arguably more endangered than on the farms.

My point here is that even when an inspection or enforcement mechanism exists *and* has the political will to take on difficult problems, it is not necessarily capable of addressing the issue in a way that truly resolves the problem.

What we have, then, is a rapidly expanding global supply chain where production occurs in the unregulated environments created by failed or failing states. The inability of national governments to enforce labor law regulations and the difficulty of finding solutions to difficult labor problems raise two questions for the global brand-name company. First, “who assumes responsibility and accountability for enforcing labor standards?” and second, “which standards should be applied?” The answer cannot be national governments and national law alone because they do not have the legal mechanisms and the political will to enforce labor standards and resolve structural problems.

One way of filling this regulatory gap is for multinational enterprises to assume the huge responsibility of enforcing labor standards across their long and dispersed supply chains. Some companies have stepped up for a variety of reasons—response to public pressure, consumer demand, because they are good corporate citizens or because they believe that it makes business sense. In contrast to some governments, multinationals have the bargaining power and the resources to effect positive change in the factories that produce for them by requiring the implementation of codes of conduct. This becomes a condition of their purchasing from factories throughout the supply chain.

We must address the reality, though, that multinational enterprises were never designed to function as enforcement agencies, nor is it legitimate to privatize the public role of government to enforce standards. Government agencies have legitimizing mechanisms which multinationals lack, such as elections and accountability structures.

How then do we address the “democratic deficit” of multinational companies trying to fulfill government functions in a globalized economy? The Fair Labor Association (FLA) is a good example of a public-private partnership that can legitimize the compliance activities of multinational companies. In the 1990s, following a series of labor rights scandals involving U.S. companies, President Bill Clinton called a meeting at the White House to develop an approach that would prevent globalization from becoming a “race to the bottom” in terms of labor rights. The result was the Apparel Industry Partnership, which brought together industry, human rights and labor rights NGOs, the Department of Labor and trade unions to develop a methodology to ensure protection of labor rights throughout the supply chain.

The AIP was an example of government using its good offices to create an incentive and support structure for multinational companies to undertake labor rights enforcement in the global marketplace. What the AIP did was to negotiate a common Code of Conduct and create the Fair Labor Association to ensure that participating companies implemented the Code.

Marcela Manubens of Phillips-Van Heusen will testify to the challenge of implementing that Code in the more than 400 factories where PVH sources goods around the world. Because PVH has signed on they are accountable to the FLA and our auditors make unannounced visits to PVH factories where they interview workers, look at wage and hour records and inspect the physical premises to ensure that the Code is being

implemented. If a supplier factory falls short of the Code standards we hold the FLA Participating Company accountable for fixing whichever problems exist and we publish the results of those inspections and remedial efforts on our website.

In short, companies who join the FLA are assuming an enormous responsibility for the factory conditions in their supply chains. It has to be pointed out that there is a major gap between companies engaging in multistakeholder initiatives like the FLA and companies that are not participating in such efforts.

There are two tests to apply in assessing whether a company is socially responsible: 1) is it acting in partnership with other stakeholders in its efforts to be compliant with labor standards? and 2) is it transparent? If a company is indeed acting in good faith and in a socially responsible way, then it should be transparent about its activities.

Looking to the future, we have to face the fact that more and more states will be unable to enforce their own labor laws and that we will continue to see more and more goods coming out of these unregulated jurisdictions. One of the most powerful vehicles we have for ensuring the implementation of labor standards in global supply chains is the multinational enterprise and we can avoid the danger of privatizing labor law enforcement by ensuring that those enterprises act in partnership with public and other private stakeholders in a transparent way to improve the conditions in the factories where goods are made.

Thank you.